



A STUDY ON FINANCIAL PERFORMANCE OF GSFDC

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ABSTRACT

The state government of Gujarat has created the Gujarat Forest Development Corporation Ltd (GSFDC), which is responsible for purchasing NWFPs from tribal communities at the rate that has been announced in order to provide the greatest possible economic benefits to the tribal communities. In the state of Gujarat, the collection and sale of NWFPs are being managed by the GSFDC Ltd. The Non-Wood Forest Products, often known as NWFPs, are a significant source of food and livelihood security for tribal people all over the world. The various kinds of NWFPs, such as leaves, flowers, and seeds, gums and tanning materials, herbs and other miscellaneous products, fruits and bamboos, etc., can be organised into several categories. In this study researcher has analysed financial position GSFDC for the year 2018-19 to 2020-21.

KEYWORDS: Financial Performance, GSFDC, NWFP

INTRODUCTION

Overview Of Gujarat Forest Development Corporation

The Gujarat State Forest Development Corporation Ltd. (GSFDC) is a public sector undertaking of the Government of Gujarat. It was founded on August 20, 1976 as a government company under the Companies Act, 1956. The GSFDC has been in operation since 1976. Vadodara is the location of both the Corporation's registered and head offices at this time.

The Corporation has as one of its primary goals the optimum utilisation and sustainable development of the minor forest produce (MFP) that is available in the state of Gujarat. This is done with the intention of providing opportunities for a living to forest dwellers who live in and around the forested areas of the state of Gujarat and preventing the exploitation of these forest dwellers by middlemen.

The government sets a support price for the collection of minor forest output so that producers can get a good price for their goods. [Citation needed] [Citation needed] The vast majority of MFPs participate in the activity of collecting Timru Leaves as part of their work. Through the gathering of a variety of MFPs, thousands of tribal households are able to provide for their families.

GSFDC is also involved in a variety of other endeavours, including the cultivation of commercial plantations of eucalyptus, the manufacturing and distribution of teak and non-teak furniture, the renovation of office space, the production and distribution of ayurvedic formulations and forest products under the brand name Dhanvantri, and the promotion of ecotourism.

Overview of Financial Performance

Financial performance is a crucial aspect of assessing the overall health and efficiency of a business or organization. It refers to the evaluation of a company's ability to achieve its financial objectives and goals, indicating how effectively it utilizes its resources and generates profits. A company's financial performance is a key indicator of its success and sustainability, impacting stakeholders such as investors, creditors, employees, and management.

The analysis of financial performance involves the examination of various financial statements, such as the income statement, balance sheet, and cash flow statement. These financial reports provide valuable insights into the company's revenue generation, expenses, profitability, liquidity, and solvency. By studying these metrics, investors and decision-makers can make informed judgments about the company's financial stability, growth prospects, and long-term viability.

Effective financial performance evaluation helps in identifying strengths and weaknesses within a company's operations, enabling management to take strategic actions to improve efficiency, optimize resource allocation, and maximize profits. Moreover, it serves as a foundation for benchmarking against competitors and industry standards, aiding in better financial planning and risk management.

LITERATURE REVIEW

Joshi (2000) made an effort to investigate the impact of ownership changes on financial performance for public sector enterprises and Bharat Heavy Electricals

Limited. BHEL's financial performance before and after disinvestment has been assessed using a number of financial ratios. He used a SWOT analysis to back up his decision to conduct his research with BHEL. Joshi discovered in his research that disinvestment has led to increased profitability and operational efficiency, making it a good solution for public sector businesses like BHEL that compete in a globally competitive economy.

The financial performance of divested CPSEs in India from 1986–1987 to 2009–2010, on both a pre- and post-disinvestment basis, has been revealed in "Financial Performance of Divest Central PSUs in India: An Empirical Study on Select Dimensions" by Gupta (2011). This essay's author contends that CPSEs continue to face difficulties even after disinvestment, which is why even a small amount of disinvestment has not produced the desired results. Additionally, he emphasises that these problems are brought on by, among other things, the engagement of the government, the delegation of operational and functional responsibility to managers, high costs, and an uncompetitive industrial structure in terms of operational efficiency.

The impact of profit & loss making CPSE disinvestment on investment, employment, financial health, and corporate liquidity is examined in Singh's (2015) article, "Disinvestment and Performance of Profit and Loss Making CPSEs in India" While staff efficiency in resource consumption has increased in both profit- and loss-making CPSEs following disinvestment, the author of this research came to the conclusion that profitability and operational efficiency have declined in profit-generating CPSEs.

The research paper "Public Sector Undertaking: Bharat's Other Ratna" by Gupta (2017) included an analysis of 235 PSUs. In order to improve their performance, the author notes that PSUs are divided into several "Ratna" categories. The author also mentioned that partial privatisation can help CPSEs operate better. According to the author, larger PSUs, or "Maharatnas," perform better than both smaller PSUs, or "Navratnas," and private businesses. Gupta also suggested that India raise money through disinvestment, liquidation, and privatisation, which could be used to fund public infrastructure projects through the National Infrastructure Investment Fund rather than the budget.

Gupta (2006) claims that partial privatisation served as the foundation for the majority of the early stages of the privatisation programme in her article "Partial Privatization and Firm Performance." The author makes the case that partial privatisation is advantageous for investment, output, and profitability. When the government holds the majority of the shares, the stock can occasionally be used to track and reward managerial performance.

RATIONALE OF THE STUDY

The study on the financial performance of the Gujarat State Forest Development Corporation (GSFDC) holds significant importance due to several compelling reasons:

1. Assessing Organizational Health: Understanding the financial performance of GSFDC is crucial to gauge the overall health and efficiency of the organization. The study will delve into the company's financial statements, such as the income statement, balance sheet, and cash flow statement, to evaluate its revenue generation, profitability,

- liquidity, and solvency. This assessment will provide valuable insights into the financial stability and viability of GSFDC.
2. **Performance Evaluation:** The study aims to conduct a comprehensive analysis of financial data over a specific period to evaluate GSFDC's performance. By studying financial ratios and key performance indicators, the research will identify the company's strengths and weaknesses, thereby aiding in the formulation of effective strategies to enhance financial performance.
 3. **Decision-making and Planning:** The findings of the study will serve as a foundation for informed decision-making by GSFDC's management. Armed with a detailed understanding of the financial health, the management can make strategic choices regarding resource allocation, investment decisions, and financial planning for the organization's growth and sustainability.
 4. **Stakeholder Confidence:** Investors, creditors, and other stakeholders place immense value on the financial health of an organization. The study will provide stakeholders with a transparent and reliable assessment of GSFDC's financial performance. This will help build and maintain confidence in the organization's financial management and attract potential investors.
 5. **Comparative Analysis:** The study will benchmark GSFDC's financial performance against industry standards and competitors, facilitating a comparative analysis. This will shed light on areas where GSFDC excels and areas where improvement is needed, helping the organization stay competitive in its domain.
 6. **Government Accountability:** As GSFDC is a state-owned corporation, the study will also serve as a means to assess the efficient utilization of public funds and resources. It will provide insights into whether the corporation is meeting its objectives and fulfilling its responsibilities to the state and its citizens.
 7. **Academic Contribution:** The research will add to the existing body of knowledge on financial performance evaluation. Scholars, students, and researchers can benefit from the findings and methodology used in the study to conduct further research in the domain of financial analysis and performance evaluation.

In conclusion, the study on the financial performance of GSFDC is vital for a comprehensive understanding of the organization's financial health, effectiveness in meeting its goals, and transparency in utilizing resources. The findings will contribute valuable insights to various stakeholders, aiding in informed decision-making, fostering confidence, and guiding future strategies for sustained growth and success.

RESEARCH OBJECTIVE

1. To analyse the liquidity measures of GSFDC
2. To analyse the profitability measures of GSFDC

RESEARCH METHODOLOGY

Sources of Data

The secondary sources of information that were drawn from for this prospective research project

The Annual Reports served as the source for the secondary data that was collected.

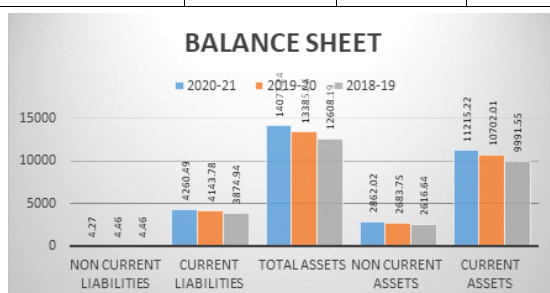
Period of Data Coverage

Annual report for the year 2018-19 to 2020-21 have been utilised

DATA ANALYSIS

1. Liquidity Measures

BALANCE SHEET			
PARTICULAR	2020-21	2019-20	2018-19
Non Current Liabilities	4.27	4.46	4.46
Current Liabilities	4260.49	4143.78	3874.94
Total Assets	14077.24	13385.76	12608.19
Non Current Assets	2862.02	2683.75	2616.64
Current Assets	11215.22	10702.01	9991.55



Interpretation

The provided table presents the balance sheet data for the Gujarat State Forest Development Corporation for the years 2020-21, 2019-20, and 2018-19. The balance sheet is a crucial financial statement that provides insights into an organization's financial position at a specific point in time. Let's interpret the data:

Non-Current Liabilities:

- Non-current liabilities represent long-term obligations that the organization is liable to pay beyond one year. These liabilities have decreased from 4.46% in 2018-19 to 4.27% in 2020-21.
- This decline indicates that GSFDC has been successful in reducing its long-term obligations relative to its total assets, which is a positive sign of improved financial stability.

Current Liabilities:

- Current liabilities are short-term obligations that the organization must settle within one year. They have increased from 3874.94 in 2018-19 to 4143.78 in 2019-20 and further to 4260.49 in 2020-21.
- The increasing trend in current liabilities suggests that GSFDC might be relying more on short-term financing to meet its current obligations.

Total Assets:

- Total assets represent the sum of both current and non-current assets. The total assets have seen a consistent growth over the years, increasing from 12608.19 in 2018-19 to 13385.76 in 2019-20 and further to 14077.24 in 2020-21.
- The rising trend in total assets indicates that GSFDC is experiencing growth in its asset base, which can be attributed to increased investments and acquisitions.

Non-Current Assets:

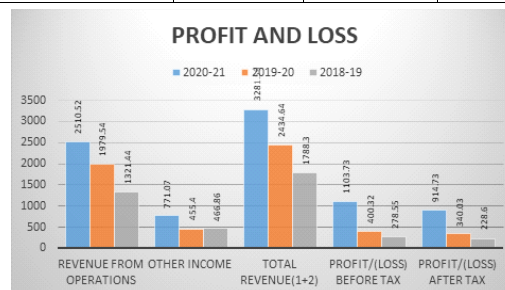
- Non-current assets are long-term assets that the organization plans to hold for more than one year. They have increased from 2616.64 in 2018-19 to 2683.75 in 2019-20 and further to 2862.02 in 2020-21.
- The growth in non-current assets implies that GSFDC is investing in long-term assets, such as property, plant, and equipment, which may be essential for its operations and future growth.

Current Assets:

- Current assets are short-term assets that the organization expects to convert into cash within one year. They have also witnessed growth from 9991.55 in 2018-19 to 10702.01 in 2019-20 and further to 11215.22 in 2020-21.
- The increasing trend in current assets suggests that GSFDC has higher liquidity and the ability to meet its short-term obligations.

2. Profitability Measures

PROFIT AND LOSS			
PARTICULAR	2020-21	2019-20	2018-19
Revenue from operations	2510.52	1979.54	1321.44
Other Income	771.07	455.4	466.86
Total Revenue(1+2)	3281.59	2434.64	1788.3
Profit/(Loss) before Tax	1103.73	400.32	278.55
Profit/(Loss) after tax	914.73	340.03	228.6



Interpretation

The provided Profit and Loss (P&L) statement represents the financial performance of Gujarat State Forest Development Corporation (GSFDC) for the years 2020-21, 2019-20, and 2018-19. The P&L statement reveals the organization's revenues, expenses, and profits (or losses) during the specified periods. Let's interpret the data:

Revenue from Operations:

- Revenue from operations represents the income generated from the primary activities of the organization. It has shown consistent growth over the years, increasing from 1321.44 in 2018-19 to 1979.54 in 2019-20 and further to 2510.52 in 2020-21.
- The rising trend in revenue from operations indicates that GSFDC's core business activities have been expanding, leading to increased sales and operational performance.

Other Income:

- Other income includes any revenue generated from non-core business activities or one-time sources. It has also shown a consistent increase over the years, fluctuating from 466.86 in 2018-19 to 455.4 in 2019-20 and further to 771.07 in 2020-21.
- The growth in other income suggests that GSFDC might be diversifying its revenue streams or generating income from various non-core sources.

Total Revenue:

- Total revenue is the sum of revenue from operations and other income. It has experienced a continuous upward trajectory, reaching 1788.3 in 2018-19, 2434.64 in 2019-20, and 3281.59 in 2020-21.
- The increasing trend in total revenue signifies the overall growth and financial performance of GSFDC during these years.

Profit/(Loss) before Tax:

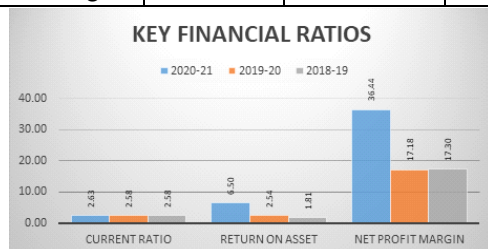
- Profit/(Loss) before tax represents the income or loss generated by GSFDC before considering income tax expenses. It has shown remarkable growth, increasing from 278.55 in 2018-19 to 400.32 in 2019-20 and further to 1103.73 in 2020-21.
- The substantial growth in profit before tax indicates an improvement in the company's operational efficiency and profitability.

Profit/(Loss) after Tax:

- Profit/(Loss) after tax represents the net income or loss of GSFDC after considering income tax expenses. It has experienced a similar upward trend, rising from 228.6 in 2018-19 to 340.03 in 2019-20 and further to 914.73 in 2020-21.
- The significant growth in profit after tax highlights the organization's ability to effectively manage tax liabilities and enhance its bottom-line performance.

3. Financial Ratios

KEY FINANCIAL RATIOS			
RATIOS	2020-21	2019-20	2018-19
Current Ratio	2.63	2.58	2.58
Return on Asset	6.50	2.54	1.81
Net Profit Margin	36.44	17.18	17.30



Interpretation

The provided key financial ratios represent important indicators of Gujarat State Forest Development Corporation's financial health and performance for the years 2020-21, 2019-20, and 2018-19. These ratios offer valuable insights into the organization's liquidity, profitability, and efficiency. Let's interpret the data:

Current Ratio:

- The current ratio measures the company's ability to meet its short-term obligations with its current assets. A current ratio of 2.63 in 2020-21, 2.58 in 2019-20, and 2.58 in 2018-19 indicates that GSFDC has sufficient current assets to cover its short-term liabilities.
- The consistent current ratio above 1 implies that GSFDC is financially capable of meeting its short-term obligations in the near future.

Return on Assets (ROA):

- The Return on Assets ratio evaluates how efficiently the company utilizes its assets to generate profits. A ROA of 6.50% in 2020-21, 2.54% in 2019-20, and 1.81% in 2018-19 indicates the company's ability to generate profits relative to its total assets.
- The increasing ROA over the years suggests that GSFDC has been able to improve its profitability and utilization of assets to generate higher returns.

Net Profit Margin:

- The Net Profit Margin ratio measures the percentage of profit earned from every rupee of revenue. A Net Profit Margin of 36.44% in 2020-21, 17.18% in 2019-20, and 17.30% in 2018-19 indicates the company's efficiency in controlling costs and generating profits from its operations.
- The significant increase in the Net Profit Margin in 2020-21 compared to the previous years suggests a notable improvement in

GSFDC's profitability and cost management.

CONCLUSION

Based on the analysis of the financial statements and key financial ratios of Gujarat State Forest Development Corporation (GSFDC) for the years 2020-21, 2019-20, and 2018-19, several key findings can be drawn:

- Strong Financial Performance:** GSFDC has demonstrated a strong and consistent financial performance over the analyzed years. The revenue from operations has witnessed substantial growth, indicating an expansion of the company's core business activities and increased sales.
- Diversified Revenue Streams:** The increase in other income suggests that GSFDC is diversifying its revenue sources, possibly generating income from non-core business activities or one-time sources.
- Improving Profitability:** The significant growth in both profit before tax and profit after tax highlights GSFDC's improved operational efficiency and profitability. The organization has effectively managed tax liabilities and enhanced its bottom-line performance.
- Healthy Liquidity:** The current ratio has consistently remained above 2, indicating that GSFDC has sufficient current assets to meet its short-term liabilities. This suggests the organization's robust liquidity position.
- Efficient Asset Utilization:** The Return on Assets (ROA) ratio has shown a positive trend, indicating that GSFDC has been successful in efficiently utilizing its assets to generate profits. This signifies improved asset management and operational effectiveness.
- Improved Profit Margins:** The Net Profit Margin has witnessed a substantial increase in 2020-21, indicating that GSFDC has efficiently controlled costs and increased its profitability from every rupee of revenue generated.

Overall, the financial analysis of GSFDC portrays a positive picture, with growth in revenues, profitability, and asset utilization. The organization's financial stability, along with its ability to generate profits and effectively manage resources, reflects its robust financial health. However, it is essential to recognize that this analysis is based on financial data alone, and a comprehensive understanding of GSFDC's financial performance would require consideration of other non-financial factors and industry-specific dynamics.

In conclusion, Gujarat State Forest Development Corporation appears to be in a favorable financial position, exemplified by its consistent revenue growth, improved profitability, and strong liquidity. The positive trends observed in the financial ratios indicate a well-managed organization, capable of navigating economic challenges and capitalizing on opportunities for sustainable growth in the future. Nonetheless, continuous monitoring and careful financial planning will remain crucial to ensure the corporation's continued success in achieving its objectives and serving its stakeholders effectively.

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